**FONDAZIONE LEONE MORESSA**

**XIV ANNUAL REPORT ON THE ECONOMICS OF IMMIGRATION**

**The economic consequences of the demographic recession**

**Presentation**

If we were to summarise the prevailing thought on global demography over the past few decades into a slogan, we could say that we have moved "from a population explosion to a demographic winter". Although the world population as a whole continues to grow, many countries – including Europe and China – are already experiencing a demographic recession.

The social and economic repercussions of the "demographic winter" are manifold. Some are already underway, while others may emerge in the near future. The 2024 edition of the Annual Report on the Economics of Immigration aims precisely to examine the economic consequences of the demographic recession, addressing the issue – as always – from various perspectives and understanding the possible implications of the migratory phenomenon.

The analyses presented in the Annual Report on the Economics of Immigration, based on official statistical sources and supported by in-depth studies and prestigious institutional contributions, highlight the role of immigration in Italy today. Immigrants represent about one-tenth of the workforce and generate approximately 9% of GDP. They have a low impact on public spending and, on the contrary, pay taxes and contributions and send money to their families back home.

Ultimately, immigration, provided it is managed and regulated, offers a positive contribution at demographic, economic, and social levels. Clearly, however, it cannot be the only response to the demographic recession. It is also necessary to invest in medium to long-term policies that enable families and young people to be in a position to have children again. As Pope Francis emphasised in his speech to the participants of the fourth edition of the General States of Birth, "the number of births is the primary indicator of a people's hope. Without children and young people, a country loses its desire for the future".

**1. The demographic contribution of immigration in Italy**

The global population surpassed eight billion in 2022. According to United Nations projections, overall growth is expected to continue in the coming decades, with the world population reaching over 9 billion by 2037 and 10 billion by 2058.

Thus, the global population will keep growing, but at increasingly slower rates. Additionally, this growth is not uniform, leading to a rebalancing of proportions between continents. In 1970, out of a total population of 3.7 billion, 58.1% of the planet's inhabitants lived in Asia, 13.3% in Europe (excluding Russia and Turkey), and 9.9% in Africa. In 2023, with a total population just over 8 billion, Asia remains by far the most populous continent, with 59.1% of the world's population. However, within Asia, there are diverse dynamics: China stopped growing in 2022, maintaining a population of 1.4 billion. India continues to grow at nearly 1% per year and, in 2023, became the most populous country in the world. Other Asian countries also continue to record high population growth rates, such as Indonesia, Pakistan, and Bangladesh. But the most significant data concerns Africa, which today has more than 1.4 billion inhabitants (18.2%), and Europe (excluding Russia and Turkey), which with just over 500 million inhabitants represents only 6.4% of the total.

These dynamics are set to intensify further in the coming decades. According to United Nations projections, by 2070, Asia's share of the global population will have fallen to 50.5%, mainly due to the decline in China, whose population will be just over one billion. Africa, on the other hand, will have exceeded 3.2 billion inhabitants, nearly a third of the total 10.3 billion. The demographic decline of Europe and North America is expected to continue, both with about 430 million inhabitants (4.2% of the total).

From a demographic perspective, Europe – like most Western countries – has long been in the fourth phase of the "demographic transition", characterised by low birth rates and low mortality rates, leading to a progressively aging population and a relative increase in the elderly population. Some scholars argue that many European countries are even in a fifth phase, marked by a further collapse in birth rates and, consequently, a gradual decline in population. Hence the term "demographic winter", which refers to the confluence of declining births, increased life expectancy, and a rising average age of the population.

Italy is perhaps the most significant example of this situation, with fewer than 400,000 births and an average of 1.24 children per woman. According to Eurostat projections for 2070, in the next fifty years, the resident population in Italy is expected to decrease from 59 million to 53 million (-9.6%). The over-65s, who today represent 24.0% of the population, would reach 33.6% of the total in less than fifty years.

**Population by age class, in Italy, 2023-2070 comparison.**

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| --- | --- | --- | --- | --- | --- |
| **Age class** | **2023** | **2023 Distrib.** | **2070** | **2070 Distrib.** | **% Variat.**  **2023-2070** |
| 0-14 | 7,344,099 | 12.4% | 5,807,993 | 10.9% | -20.9% |
| 15-64 | 37,471,805 | 63.5% | 29,579,384 | 55.5% | -21.1% |
| 65+ | 14,181,297 | 24.0% | 17,945,282 | 33.6% | +26.5% |
| Total | 58,997,201 | 100% | 53,332,659 | 100% | -9.6% |

Source: *Fondazione Leone Moressa Foundation elaborations on Eurostat data*

Today, the immigrant population represents a significant component of the demographic trend, as it shows a lower average age than the autochthonous counterpart (35.7 years of age against 46.9) and a way higher birth rate (10.4 births every thousand inhabitants among foreigners, 6.3 among Italians). Besides the natural growth rate (the gap between births and deaths), the migratory wroth rate (arrivals – departures) is positive for foreigners and negative for Italians. In other words, even now, the immigrant population is curbing the undergoing demographic winter, with consequences for the economic, caring and fiscal sectors too.

**2. International demographic dynamics**

After the Covid-19 pandemic, Italy, like many other European countries, recorded a significant increase in residence permits. In particular, work-related permits began to rise again after a decade of very low numbers. In 2022, the effects of the 2021 Flow Decree (*Decreto Flussi*, Draghi government), which had planned for 69,000 work-related entries for the following year, were observed. In 2022, there were about 67,000 work permits, roughly one-fifth of the 338,000 total entries.

The main reason for entering Italy remains family reunification (38.9%), but the proportion of work-related entries has returned to near 20%, a level not seen since 2014. Despite this trend reversal, Italy still recorded one of the lowest percentages of work permits in Europe in 2022. In Italy, work-related entries accounted for 19.8% of total entries, compared to an EU average of 35.8%. Several countries, especially in Eastern Europe, report percentages above 70%.

Even when comparing work permits per resident population, Italy's average is among the lowest in Europe: 11.3 per 10,000 inhabitants. The EU average, by contrast, is 27.8 work permits per 10,000 inhabitants. Malta even records a value of 528.8 work permits per 10,000 inhabitants. Cyprus, Croatia, Poland, and Slovenia all exceed the “100” mark.

In Europe, the country that attracts the most non-EU workers is Poland. In 2022, Spain recorded 145,000 work-related entries. Germany also saw significant numbers, with 82,000 entries. Italy follows with 67,000 work-related entries. However, Italy is the country that has seen the largest increase compared to 2019, when there were just 11,000 work permits.

Throughout Europe, there is a trend of increasing legal migration for work, necessary to meet labour needs. Italy's commitment, with 82,000 entries expected under the 2022 Decree (plus an additional 40,000 seasonal entries), aligns with this trend. These numbers have been further boosted by the Decree of the President of the Council of Ministers on 27 September 2023, "Programming of legal entry flows into Italy of foreign workers for the three-year period 2023-2025" – the so-called 2023-2025 Three-Year Flow Decree. This provision allows for the entry into Italy of 452,000 foreign citizens for seasonal and non-seasonal subordinate work and self-employment, divided as follows:

a) 136,000 foreign citizens for the year 2023;

b) 151,000 foreign citizens for the year 2024;

c) 165,000 foreign citizens for the year 2025.

The DPCM distributes these quotas among sectors, types of work, and workers, also indicating the application schedule for employers. Among the new professions that may be requested, along with electricians and plumbers, a specific quota is reactivated for workers in the family care and social-healthcare sectors. Additionally, there is a particular need for workers in passenger transport by bus and fishing, which are now included. For non-seasonal self-employment and subordinate work, the sectors include third-party road haulage, construction, tourism-hotel, mechanics, telecommunications, food, and shipbuilding; for seasonal subordinate work, the agricultural and tourism-hotel sectors.

Within the quotas for agriculture and tourism, specific quotas are reserved for workers from countries of origin or transit that sign agreements to facilitate regular migration and combat irregular migration, and whose requests for authorisation to enter Italy for seasonal work, including multi-year, are submitted by the labour organisations indicated in the decree and most representative at the national level. These organisations undertake to oversee the conclusion of the recruitment process of workers up to the actual signing of employment contracts, including mandatory communications.

The historical series clearly shows how the increase in entry quotas is a recent development after the substantial immobility of the period between 2014 and 2020. Although a significant portion is reserved for seasonal workers, a positive economic and fiscal contribution from the new arrivals is expected.

**3. The economic contribution of immigration in Italy**

In 2023, workers with non-Italian citizenship number 2.4 million, representing 10% of the total Italian workforce. It is important to note that this figure is adjusted downward due to the acquisition of Italian citizenship (over 200,000 in 2022 alone), which causes a “statistical” decrease in the foreign population without altering their presence in the country.

This workforce is heavily concentrated in certain sectors: in personal services, the incidence rises to 30%, and it is also higher in hotels and restaurants (17%), agriculture (18%), and construction (16%). Conversely, it is significantly lower than the average in business services (5.4%) and in public administration, education, and healthcare (2.8%). In the latter sector, nearly 22% of Italians are employed, compared to only 5.7% of foreigners.

The analysis by type of profession also highlights a concentration of foreigners in certain occupations. Foreign workers tend to occupy less skilled jobs: only 8.7% of these workers are in skilled or technical professions, while 30% are in low-skilled jobs. Considering the incidence by type of profession, while on average there is one foreign worker for every ten employees, among unskilled personnel the figure rises to 29%, and among craft workers to 14.7%. In more skilled professions, it drops to 2.5%.

This economic contribution translates into a contribution to GDP quantifiable at 164 billion euros of wealth (value added) produced, equal to 8.8% of the national GDP.

Most of this “wealth” is concentrated in the services sector, which employs the largest number of immigrant workers. However, if we look at the incidence by sector, the highest values are recorded in agriculture (16.4%), construction (15.1%), and hotels and restaurants (11.1%).

**Added Value produced by immigrant workers (over-15 y/o) by sector, 2023.**

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| --- | --- | --- | --- |
| **Sectors** | **Immigrant workers 2023**  **(thousands)** | **Immigration GDP (million €)** | **% Added Value produced by foreigners over the total A.V.** |
| Agriculture | 152 | 6,632 | 16.4% |
| Manufacturing | 469 | 39,408 | 10.3% |
| Construction | 252 | 14,951 | 15.1% |
| Trade | 224 | 16,795 | 7.3% |
| Hotels and restaurants | 263 | 8,261 | 11.1% |
| Services | 1,013 | 78,194 | 7.5% |
| Total | 2,374 | 164,241 | 8.8% |

Source: *Fondazione Leone Moressa Foundation elaborations on ISTAT data*

**4. The fiscal impact of immigration in Italy**

From a fiscal perspective, the post-Covid recovery marks a historic high in the number of immigrant taxpayers (4.6 million). Despite a still significant gap in average income between immigrants and natives, the fiscal balance of the immigrant population remains positive, with taxes and contributions exceeding welfare services dedicated to immigrants by 1.2 billion euros. In other words, immigrants are predominantly active workers and taxpayers, thus paying taxes and contributions and having a low impact on public spending. It must also be acknowledged that the fiscal contribution, as well as the demographic one, represents a concrete positive input, though it is not sufficient to counter the ongoing trends in our country. Demographic scenarios indicate a trend towards numerical parity between workers and pensioners, which is evidently unsustainable for the current system. Immigration, therefore, is a necessary but not sufficient condition to address the ongoing demographic winter.

Finally, the role of immigrants in supporting families in their countries of origin, primarily through remittances, is significant. According to the World Bank, “remittances are a vital source of household income for low- and middle-income countries. They alleviate poverty, improve nutritional outcomes, and are associated with higher birth weights and higher school enrollment rates for children in disadvantaged families. Studies show that remittances help recipient families strengthen resilience, for example by funding better housing and coping with losses following disasters.” In 2023, remittances sent from Italy amounted to 8.2 billion euros, which translates to an average of 133 euros per month per resident immigrant.

**Estimates of revenues and expenditures due to foreign presence, average cost, 2022**

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| --- | --- | --- | --- | --- |
| **Revenues** | **Billion**  **Euro** |  | **Expenditures** | **Billion**  **Euro** |
| Irpef | 4.5 |  | Health | 6.0 |
| VAT | 4.0 |  | School | 6.5 |
| Consumptions (tobacco, lotteries, car taxes, fuels, TV license) | 3.3 |  | Social and local services, public construction | 2.4 |
| Local consumptions (IMU, TASI, gas and energy) | 0.9 |  | Justice and security | 3.2 |
| Residence permits and naturalizations | 0.3 |  | Reception and integration (share held by Min. of Interiors and Min. of Labour and Social Policies) | 1.7 |
| IRAP | 1.0 |  |  |  |
| Net social contributions (borne by employer families) | 24.9 |  | Social Protection (illness and disability, old age and survivors, families and children, unemployment) | 17.8 |
| Total | 38.9 |  | Total | 37.7 |
| **Balance** | **+1.2** |  |  |  |

Source: *Leone Moressa Foundation elaboration on MEF data – Department of Finances, ISTAT, and others*

**5. Immigrant entrepreneurship in Italy**

Lastly, a particularly significant phenomenon in the economics of immigration in Italy is that of immigrant entrepreneurship. As of December 31, 2023, there were 775,559 foreign-born entrepreneurs in Italy (10.4% of the total) and 586,584 predominantly foreign-run businesses (11.5%).

Looking at the last ten years (2013-2023), a different trend between Italian-born (-6.4%) and foreign-born entrepreneurs (+27.3%) is evident. Even in the last year, the number of immigrants has increased (+1.9%), while that of Italian-born individuals has seen a slight decrease (-0.6%).

**Immigrant entrepreneurs in Italy, 2023**

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| --- | --- | --- | --- | --- |
| **Country of birth** | **Entrepreneurs**  **2023** | **Distribution**  **%** | **Variation %**  **2022-23** | **Variation %**  **2013-23** |
| Born in Italy | 6,679,020 | 89.3% | -0.6% | -6.4% |
| Born abroad | 775,559 | 10.4% | +1.9% | +27.3% |
| Total | 7,478,706 | 100% | -0.4% | -4.1% |

Source: *Leone Moressa Foundation elaboration on StockView-Infocamere data, provided by CCIAA VE-*

The phenomenon of immigrant entrepreneurship, like other dynamics related to the presence of foreigners in Italy, also has its pros and cons. The purpose of the report on immigration economics is precisely to provide data and analyses useful for understanding the complexity of these phenomena, moving away from the ideological logic of "for or against" and delving instead into the depth of these issues.

